# ILLINOIS BUSINESS REVIEW

*A MONTHLY SUMMARY OF BUSINESS CONDITIONS FOR ILLINOIS*

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## HIGHLIGHTS OF BUSINESS IN JULY

With many plants slowing down for vacation and with demand for consumer goods at a low point, the Federal Reserve index of industrial production in July is expected to decline below the June level of 223.

As a result of the reluctance of consumers to buy and the record volume of inventories in retailers' hands, orders received by many manufacturers of consumer goods were insufficient to maintain production schedules. Textiles and shoes proved particularly weak. With retailers heavily overstocked, orders slumped sharply, and many plants had to curtail operations or shut down altogether. Sales of household appliances are also not doing very well, with television sales near their postwar low. On an over-all basis, however, these declines are largely offset by rising military production.

### Prices Lower

Wholesale prices continued to decline in the first part of July. The highly sensitive index of spot commodity prices registered declines of more than one percent in each of the first three weeks of the month. Substantial drops were recorded in the prices of tallow, down 23 percent in the three-week period, and of rubber, down 21 percent.

The comprehensive index of wholesale prices had fallen for the eighth week in a row by July 24. However, at 178.0 of the 1926 average, the index was still more than 8 percent above the level of the corresponding week in 1950. From now on, margins shown by year-to-year price comparisons are bound to decrease, even if prices do not continue to fall, because of the rapid rise in prices during the summer of 1950.

### Crop Outlook Bright

Prospects for the 1951 crop are among the most favorable on record, according to the July 1 Crop Report of the U. S. Department of Agriculture. Farmers were able to cultivate more acres this year than at any time since 1933, and as a result, the size of the 1951 crop may be second only to that of 1948. Though only rice and hay among the major crops are expected to set new production records, several others are of near-record size. The wheat harvest should exceed one billion bushels, slightly above last year, and more than sufficient to meet all current needs.

The third largest corn crop on record is in prospect, 3.3 billion bushels. Yields of other feed grains are generally also running high, and with large carry-over stocks of corn and oats on hand, farm supplies of feed grains will show but little change from last year's level. Heartening news is provided for fruit lovers also, with better-than-average prospects for apples, grapes, pears, and sour cherries.

### Government Expenditures in Fiscal 1952

Latest estimates of the expenditures of the Federal government in the current fiscal year ending June 30, 1952, amount to $68.4 billion, $3 billion lower than earlier estimates. Nearly $48 billion, or over 70 percent, of this total is earmarked for activities connected with national defense; $42 billion for the Defense Department alone. More than half of the remaining $20 billion is accounted for by two programs growing out of the last war: interest on the public debt, $6 billion, and veterans' benefits, nearly $5 billion. So-called normal functions of the government account for $9.5 billion, and more than one-third of this is for continuing programs not subject to yearly budgetary control, such as public assistance grants to states, price support activities of the Commodity Credit Corporation, and public roads.

High as military expenditures may seem this fiscal year, the full impact of the defense effort on expenditures will not be felt until 1953 and beyond. This is because peak delivery, and payment, on the huge volume of contracts being entered into will not be made till 1953. As a result, direct military expenditures in fiscal 1953 are expected to approach $65 billion, substantially above the $42 billion estimate for this fiscal year. If this program is achieved, budget expenditures in fiscal 1953 may be $90 billion.

Because of the annual vacation of the University Print Shop this issue of the *Review* is reduced in size. It omits the usual statistical data, which are generally not yet available. We shall be glad to send copies of the missing tables to anyone requesting them. The next issue will contain the usual 12 pages.

**AVIATION IS GROWING UP · By Wilfred Carsel and Jesse Sternberger · Page 6**

# ILLINOIS BUSINESS REVIEW

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# Peace Is Not Inevitable

Reports of progress in peace talks stimulate hopes that the Korean War will soon be brought to a close.

It is a long jump from the end of shooting in Korea to the final ending of cold war tensions between the East and West. Yet, many seem to have taken the gap in stride. Even before an armistice is signed, peace assumes the character of inevitability in their minds. They are ready to cut programs, abandon controls, reduce taxes, and generally "get back to normal."

## World Conflict Unresolved

The hard fact is that there has been no change in the underlying world situation. The aims of the Soviet Union remain basically unchanged. The United States continues to organize and arm Western Europe for effective military action. Basic policies remain hostile, and the manner of negotiation displays lack of trust on both sides.

All that a cease-fire agreement in Korea implies is that continuation of this local war is no longer to anybody's advantage. Nobody has anything to gain. Both sides are losing. Both are willing to call it quits.

Conflict will continue in Korea even though the forces of both East and West withdraw. Sore spots in other parts of the world will continue tense because the issues producing conflict in those areas cannot be quickly resolved. The odds now seem to be against any new, dramatic incidents that might lead to World War III in the near future. Such developments retain, however, a substantial probability; and out of new challenges in any of the world's trouble spots, war may come.

The problem is one that must be faced from day to day, over a long period of time. It can be dealt with effectively only in terms of a stable policy that endures through fluctuations in mood and emotion. The danger is unavoidably increased by the wide swings in feeling that accompany minor developments in the areas of tension. Today's relief is bound to be replaced by tomorrow's annoyance. We cannot avoid war by hopping back and forth between the extremes of optimistic hope and of outraged fear and anger. On the contrary, war may well result if anything happens to set off another swing to the extreme of uncontrollable anger.

In short, the cold war continues. There could be no more serious mistake than to think that anything happening in Korea could sufficiently change conditions to hold the promise of "peace in our time."

## Size of the Military Program

Although a certain amount of confusion momentarily arises, although national unity may be further reduced and support for the military program partially dissipated, there is as yet no justification for abandoning the programs that have been undertaken.

Recognition of this seems bound to prevail. The Administration has already stated its firm adherence to existing policy. Advocates of opposing policy have gained strength but remain a minority.

The Administration view is mistaken nonetheless in holding that there can be no change whatsoever in plans previously decided upon. Rumors from Washington indicate that to offset any possible let-down in war sentiment, the Defense Department is planning soon to ask for an increase in authorized strength of the armed forces from 3.5 million to 5 million men. Any such move, conceived to affect sentiment rather than to deal with realities of the international power situation, is diversionary in intent and purpose.

This mistaken insistence on an inflexible point of view can, in the end, be only harmful. We cannot artificially maintain a posture of national alarm without building distrust and opposition at home and abroad. Frenzied striving for goals that could be almost as effectively attained in a more relaxed atmosphere is bound to convince others that we are pursuing war aims. It also involves us in all the irritations and frustrations of inflation and ever-tighter controls, and aggravates opposition which will hamper the effectuation of sound policy.

The country will soon be faced with a decision as to how large the military program should be. Our guess is that the course of moderation will prevail. There may be no ostensible cutback in objectives, but the time when objectives are to be realized is likely to be extended, so that peak rates of production will, in effect, be cut back.

Any such change will, of course, tend to reduce the level of economic activity. First and foremost it will relieve the pressures of inflation. Only after that, and then only in a minor way, will employment and production be affected. A postponement involving a moderate cutback in the peak rate of expenditures to be reached in fiscal 1953 would add correspondingly to later production and go far toward preventing the projected decline in fiscal '54. It would, however, still provide rates of production high enough to ensure prosperity. This prospect of prosperity without inflation offers the best hope for success in almost any kind of venture in the years ahead.

## The Way to Peace

Most important of all the ventures we are engaged in is that of dealing with the problem of international relations. We increasingly recognize how exacting it is. We have been awakened to the realization that we must be strong. We are currently setting up the productive facilities that will make us strong, even if the program is modified to provide lower rates of current output.

More likely to be disregarded is the fact that the stronger we become the more important it becomes to use our strength with care. We shall have to keep opposition to aggression from leading to aggression.

There is a tendency, on the part of anyone prepared to fight, to decide at some time or other that now is the time for a showdown. The occasion for such a decision can be indefinitely postponed if we keep in mind that just because we are prepared to fight does not mean that

(Continued on page 7)

# COMMERCIAL EXPLOSIVES

Although many people associate explosives primarily with military operations, the industrial life of the nation is dependent on their use. Over 75 percent of the total product value of the commercial explosives industry in 1947 consisted of industrial explosives, essential to all types of construction and to the recovery of the metal and mineral wealth of the nation.

In 1949 over 600 million pounds of commercial explosives were consumed in the United States. The industry's largest customer was bituminous coal mining, but the demand for explosives comes from almost every sector of the productive economy. Steel production would be impossible without iron ore and the limestone and coal needed to refine it, all of which are made available by explosives. In agriculture, explosives are an important ally of the farmer who uses them to break up rock, destroy stumps, dig ditches, and straighten streams.

## The Industry in Illinois

The first Illinois explosives plant was founded at East Alton by Franklin W. Olin in 1892, at a time when black powder, the leading commercial explosive, was vital to the nation's growing railroad and coal mining industries. The annual tonnage of coal mined in Illinois was second only to the yearly production of Pennsylvania and yet there was only one powder mill in the Middle West. Soon the East Alton plant was furnishing black blasting powder to Illinois coal mines at a much lower cost than could be met by Eastern manufacturers.

Today the Alton district is the center of the Illinois explosives industry. Olin plants in the area are making not only black powder, blasting caps, and high explosives, but millions of rounds of shells and cartridges, many of them designed for use in rifles made by the Winchester Repeating Arms Company in Connecticut, an Olin subsidiary since 1932.

Although the bulk of explosives production is still concentrated on the East and West coasts, Illinois had 7 of the nation's 76 explosives plants in 1947. The Census of Manufactures does not give a complete state breakdown, but Illinois is probably the fourth ranking state in the industry, in both production and consumption of explosive products.

The seven Illinois manufacturers include the DuPont high explosives plant at Seneca; the Illinois Powder Manufacturing Company at Grafton; and five plants which are part of Olin Industries — the Equitable Powder Manufacturing Company at East Alton, the Egyptian Powder Company plants at Alton and Marion, the Western Powder Manufacturing Company at Edwards, and the Western Cartridge Company at East Alton.

## Major Types of Explosives

Industrial explosives include both high explosives and low, or slow-reacting, types. The most common high explosive is dynamite, which instantly generates a large volume of gas by rupture of its molecules when it is set off by a blasting cap. Blasting powder, or the familiar gunpowder, is a low explosive which burns from the surface inward when fired by a flame or spark.

Explosives suitable for military purposes include both low-explosive propellants such as smokeless powder and disruptives like TNT for shell-bursting charges and mines. TNT is an abbreviation of trinitrotoluene, highly explosive crystals similar in reaction to dynamite, which are made from niter and a coal tar derivative. Although it is probably the best advertised explosive in the world, the power of TNT is generally overrated, as it is only equivalent in strength to about a 60 percent dynamite.

Black powder, ruled out as a propellant in modern warfare because its smoke would disclose the location of the gun, finds its largest use in coal and nonmetallic mining. Its production is steadily declining and about 95 percent of the commercial explosives made at present are variations of the more powerful dynamite.

High explosives, including dynamite, cannot be used as propellants as their speed of detonation is so great that they would shatter a gun. They find their largest market in coal mining, with an increasing amount sold for railroad and other construction work.

## Production Processes

Black powder is still made much as it was hundreds of years ago, by mixing ground nitrates, sulphur, and charcoal under heavy iron wheels. After it is broken up into grains, the powder is sorted into different sizes to be used for various purposes according to burning speed.

The basic ingredient in dynamite is nitroglycerin, made by submitting ordinary glycerin to a mixture of nitric and sulphuric acid. Although nitroglycerin is not sensitive to heat, a sudden jar will release its unstable atoms, unleashing an enormous amount of energy. In the manufacture of dynamite, it is mixed with nitrates and wood pulp, then packed into cartridges.

To make smokeless powder, raw cotton is nitrated by soaking it in a mixture of nitric and sulphuric acids. It is then washed with water and dehydrated with alcohol. More alcohol is added to make a dough which is forced through dies, forming a cord which is cut off into short lengths and dried.

The Western Cartridge method of making "ball" powder is generally regarded as one of the fundamentally important developments in the field of smokeless powder. The ingredients are heated and combined into a lacquer emulsion which is broken up into small spheres by agitator blades. Most of the process is carried on under water, making it less hazardous than the ordinary method.

In order that the intricate and delicate operations involved in explosives manufacturing may be carried on as safely as possible, the plants consist of a series of small buildings scattered over a large area to minimize the effects of an explosion. All possible safeguards are employed to protect the workers in one of the nation's most potentially dangerous occupations.

KNOW YOUR STATE

# RECENT ECONOMIC CHANGES

## Employment Rises

Employment rose by 600,000 from early May to early June, as students and others took summer jobs. Increased farm employment accounted for practically the entire rise, since nonagricultural employment showed virtually no change. Unemployment rose by more than 350,000, mainly because not all those seeking summer jobs had found employment. The demands for labor to support defense mobilization have caused drastic shifts in the composition of the labor force over the past year. Increases in the armed forces have been only partially offset by additions to the total labor force. The need for more people in the armed services and in nonfarm jobs has required substantial cuts in agricultural employment and has brought about a sizable reduction in the number of unemployed workers.

Bureau of Census data, in thousands of workers, are as follows:

| | *June 1951* | *May 1951* | *June 1950* |
|---|---|---|---|
| Civilian labor force | 63,783 | 62,803 | 64,866 |
| Employment | 61,803 | 61,193 | 61,482 |
| Agricultural | 8,035 | 7,440 | 9,046 |
| Nonagricultural | 53,768 | 53,753 | 53,436 |
| Unemployment | 1,980 | 1,609 | 3,384 |

There is some evidence that the expected transitional unemployment due to diversion of materials into defense production has made its appearance. Brief shutdowns in various industries began in June and continued into July as supplies shortages occurred, with automotive plants especially hard hit by metals shortages. In June 800,000 fewer workers were on the job full-time than in May; and BLS data for May (latest available) show a shortening of the work week to the level of June, 1950, chiefly because of shorter hours in nondurable-goods industries.

## Inventory Interest

Since the beginning of 1950, inventories had fluctuated considerably with the onset and end of buying sprees, but at the end of May, 1951, the ratios of inventories to sales both for durable and nondurable goods had risen to the high point for the period. Durable stocks were nearly twice monthly sales in April and May, whereas the ratio for nondurable inventories to sales was 1.4 during those two months. In the early months of 1950, when business activity was climbing but there was no war influence, ratios were 1.4 and 1.2 for durables and nondurables, respectively. It appears then that a consistent buying policy is something retailers have yet to establish.

For manufacturers, the problem has been less acute. By May, their sales and stocks had increased by as much as 50 percent over the early-1950 level, but the inventory-sales ratios were still below those which prevailed during the earlier period. Their problem then was to hold sufficient stocks, rather than maintain or cut the level of inventories. Since May, however, the buying cutback of retailers has probably shifted part of the problem to the manufacturers, so that they too must now be concerned with the question of excessive stocks.

The proper level of inventories in relation to sales has been a pressing question for businessmen ever since the outbreak of war in Korea. The price wars which broke out in May re-emphasized the question, especially for the retailers, since it is believed in some quarters that price-cutting was in part a device for moving excessive stocks of merchandise.

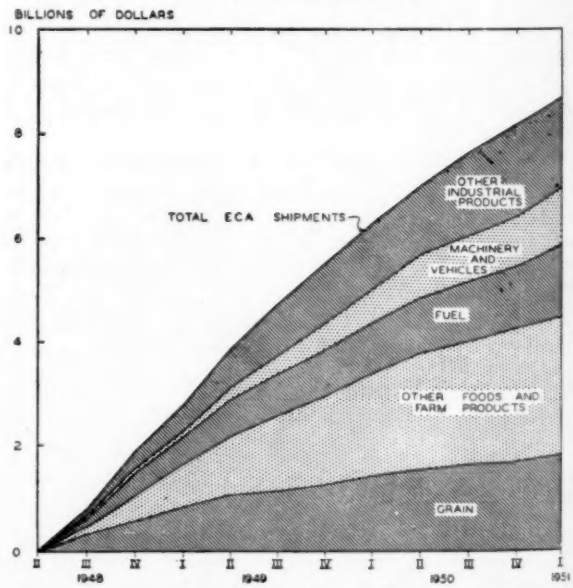
## Three Years of Marshall Aid

At the beginning of April, the first three years of Marshall Plan aid to Western Europe ended. A review of those years reveals that of the $17 billion originally estimated as the need for the projected four-year aid plan, a total of $11.2 billion had been allotted up to April 3, 1951, with an additional $1.6 billion requested for the final year. Of the funds already allotted, $5.0 billion, or 45 percent, had gone to the United Kingdom and France, the two most important trading countries in the Western European bloc and the two hardest hit by war and its aftermath.

Actual shipments of commodities totaled $8.7 billion. In the early months of ECA, food and feed made up an important part of ERP aid, but in more recent months the emphasis has been on raw materials, such as cotton, and on fuel, machinery, vehicles, and other industrial goods. As illustrated in the accompanying chart, which presents cumulative data through the first quarter, 1951, grain shipments have moved upward at a comparatively slow rate since mid-1949, whereas shipments of other farm products and industrial goods have continued to show a substantial upward movement.

Achievements of the program have been notable. At least two countries — the United Kingdom and Ireland — have already recovered sufficiently to permit suspension of further allotments of funds. The United States has obtained quantities of scarce materials for stockpiling in partial return for the credits advanced. Industrial production in the participating countries, especially in the basic industries, has been expanded considerably, relieving the acute postwar shortages. Their agricultural output has also increased, so that their dependence on imported foods and feeds has lessened. Trade restrictions have been eased among the Western European participants in the ERP and a measure of convertibility has been obtained for their currencies through the use of the European Payments Union, which is partly financed with ECA funds.

**ECA SHIPMENTS**




Source: Economic Cooperation Administration, Division of Statistics and Reports.

# BUSINESS BRIEFS

***PUBLICATIONS AND DEVELOPMENTS OF BUSINESS INTEREST***

## Air-Drying Industrial Finish

Rexton Finishes, Incorporated, Irvington, N. J., has developed an industrial finish that dries when exposed to air and is designed to adhere to such hard-to-finish surfaces as bakelite, zinc, magnesium, chromium, aluminum, and steel. Especially suitable for surfaces with component parts of dissimilar metals, Rexadhere is both a primer and a topcoat finish. It may be sprayed, dipped, or roller-coated, and eliminates the need for drying ovens, special metal pretreatments, and different primers for different metals.

## Permanent Magnets

Sylvania Electric Products, Inc. (1740 Broadway, New York, N. Y.) has announced production of permanent magnets made of noncritical materials, rather than scarce metals such as cobalt, nickel, and aluminum. They are designed for use in radio and television receivers.

## New Alloy Developed

The Copper Alloy Foundry Company, Hillside, N. J., has developed a new alloy that will eliminate the tendency of many stainless steel materials to corrode when used in plugs and valve disks. Expected to be especially useful in oil refining and the chemical industry the new alloy, V2B, is not only corrosion-resistant but is said to be three times harder than alloys ordinarily used.

## Grain Moisture Meter Device

To overcome excessive galvanometer fluctuations due to nonuniformity of grain samples, a new damping mechanism that permits easier reading of moisture meter scales has been developed by the Tagliabue Instruments Division of the Weston Electrical Instrument Corporation (614 Frelinghuysen Avenue, Newark, N. J.). The device, which requires no weighing of samples, reduces pointer oscillations for quick and accurate readings even under conditions of extreme variation in moisture content.

## Plastic-Lined Drum

When steel drums and pails are coated with bakelite-polyethylene, they can be used to ship a variety of materials ranging from edible foods to corrosive acids and alkalis, products usually shipped in more costly containers manufactured from special metals and other substances. The plastic interior coating of these containers, made by the Delaware Barrel Company, Inc., Wilmington, Delaware, is said to resist moisture and the action of most chemicals.

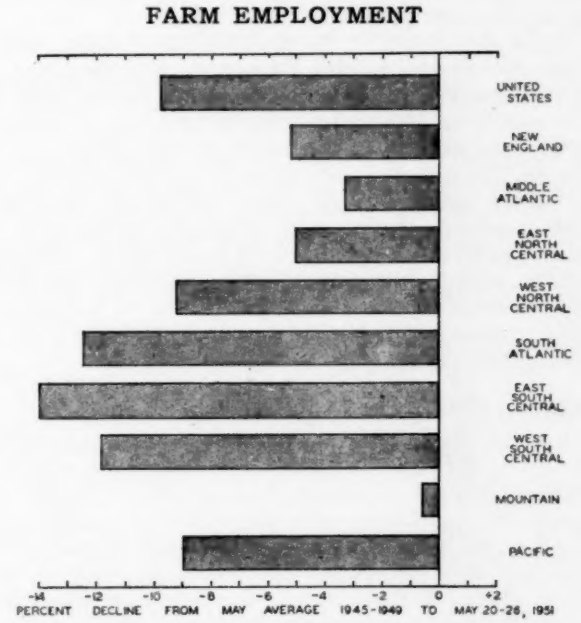
## Gear-Making Process

The development of a new gear-carbonization process which limits distortion to one one-thousandth of an inch per foot of diameter has been announced by the Brad Foote Gear Works, Inc., Chicago. Carbonization, which imparts hardness to gears through the application of heat, has long been used in the manufacture of gears. The new process is unique in that the heat treatment hardens the meshing surfaces of the teeth in the gears to a high degree while leaving the cores soft but tough. This allows reduction of the wear of impact on the teeth through absorption of some of the shock by the soft cores.

## Decline in Farm Employment

A *Farm Labor* release of the Bureau of Agricultural Economics, Washington 25, D. C., reports that people working on farms in May numbered a half million less than a year ago and about 1½ million less than the postwar peak in 1946 and 1947. There were 11 million persons employed on farms during the week of May 20-26. Of the total, 8.7 million were operators and 2.3 million were hired workers. As shown by the chart, the total decline from the May, 1945-1949, average was 9.8 percent. The East South Central area showed the greatest drop, 14 percent, with the 5 percent decrease in farm employment in the East North Central area the third lowest sectional decline.

The release, entitled "Farm Employment a Half Million Under a Year Ago," states that in the period 1946-1948 the number of people working on farms increased, as workers in war plants and the armed forces returned to farm employment. By 1949, however, the long-time downward trend again appeared. During the war and especially after the wartime shortages were relieved, farmers purchased large numbers of laborsaving machines, which decreased the need for farm labor. In the past year, additional demands for manpower for the armed forces and for industrial production have drawn persons from farm jobs and have been a factor in reduced farm employment.




Source: U. S. Department of Agriculture.

## New DuPont Fiber

Fiber E, the newest form of rayon, is now in limited commercial production at DuPont's Old Hickory, Tenn., plant. The new product has the property of curling or crinkling into a fuzzy, wool-like fiber when treated with a dilute solution of caustic soda. When combined with yarns of other fibers it imparts a carved effect to cut, brushed, and loop-pile fabrics, and will produce a two-tone color effect from a single dye bath.

# AVIATION IS GROWING UP

**WILFRED CARSEL, Chief, Research and Analysis Branch**
**and**
**JESSE STERNBERGER, Transportation Economist**
**Office of Airports, Civil Aviation Administration**

Civil aviation is very much in the news these days. Air traffic is booming. New types of equipment, including jet and turbo-prop propelled aircraft and helicopters, are being developed. The 1951 National Airport Plan, just released by the Civil Aeronautics Administration (CAA), lists 4,945 airports for development, 1,100 of them large enough to accommodate airline aircraft. New airway aids utilizing the very high frequency band are being installed to increase safety of operations. Subsidies are being separated from airmail payments. These and similar developments add up to two conclusions: (1) The aviation industry is growing up; it is definitely emerging from the infant industry category. (2) Its adolescence will be lusty, marked by continued experimentation and growth.

## Growth in Airline Traffic

The growth in airline traffic during the last 2½ years is well known. Passenger volume, after being relatively stable between 1946 and 1948, began to increase sharply in 1949 when it registered a gain of almost 2,000,000 passengers over 1948, or almost 15 percent. In 1950 there was another gain of 15 percent over 1949. Air cargo traffic increased even more sharply, rising more than 50 percent from 1948 to 1950. Airmail volume rose almost a fourth during the same period.

With the impact of the mobilization program, airline traffic shot to new heights. During the first three months of 1951, passenger volume increased 49 percent over the first quarter of 1950, express ton mileage rose 71 percent, freight ton mileage 16 percent, and mail ton mileage 40 percent. The growth would have been greater, particularly in freight, were it not for lack of equipment on various route segments. Most of the carriers showed a first-quarter profit for the first time in their history. The spectacular growth during early 1951 should not, however, obscure the fact that airline traffic was in a period of rapid expansion for some time prior to the advent of the mobilization program.

## Tapping the Travel Market

One of the solid bases for growth was the extension of routes. Between 1948 and 1950, route miles served by domestic airlines expanded from 62,000 to 77,000. The number of communities served increased from 369 to 531. Much of this increase was due to the rapid growth of the feeder or local service airlines, which now operate over 20,000 route miles and serve either solely or in conjunction with trunk carriers some 360 cities and towns. There were 960 aircraft in service in 1950, almost 10 percent more than in 1948, and the increase in available seat-miles was over four times as great. The ability of the airlines to offer service to and from more places and to offer more frequent schedules obviously increased their power to tap the air travel market.

At the same time the composition of the air fleet has been changing in favor of larger and speedier aircraft. Now four-engine aircraft constitute over two-fifths of the fleet, as against one-eighth in 1947. The growing use of four-engine aircraft as well as the introduction of faster twin-engine models enlarged the speed advantage of aircraft over other modes of transportation. Growth of traffic, in turn, permitted inauguration of more non-stop flights between major traffic points, thus adding further to the attractiveness of airline travel.

The airlines also made major strides in overcoming their chief handicap, namely, the impression that airline travel is unreliable. They cut the rate of flight cancellation almost in half between 1947 and 1950, to 2.8 percent. Additional installations of various navigational aids is expected to further increase schedule regularity. Better equipment, airports, and navigational aids also resulted in a fine safety record. In 1950 the accident rate was 1.2 passenger fatalities per 100,000,000 passenger miles as against 3.2 in 1947.

Another outstanding development during 1950 was the growth of the air-coach operation of the domestic scheduled airlines, which carried 1,267,381 revenue passengers for a distance of over a billion passenger miles. It must be remembered that the first scheduled coach-type service was begun only in November, 1948, when Capital Airlines offered a run between New York and Chicago and that so far only 33 cities have this type of service. The fact that air coach service already produces almost 8 percent of the domestic scheduled airline passenger traffic therefore shows the appeal of this type of low-cost airline transportation. Partly compensating the lower rates charged on this service were a higher revenue passenger load factor and a longer average length of passenger haul.

In addition to the regular airline coach passengers, there were 461,340 coach passengers carried during 1950 by irregular or non-scheduled carriers, of which approximately 185,000 were in domestic traffic. Although the irregular carriers pioneered in this aspect of airline service, their status has been in considerable doubt for some time. Last March, the Civil Aeronautics Board (CAB) ruled that such airlines be limited each to three flights a month over major traffic segments and to eight flights between all other points. The non-scheduled operators, protesting that this order was a "death sentence" which would drive almost all of them out of the passenger business, took their case to court and obtained a stay order. They also took the case to Congress with the result that the Senate Small Business Committee has formally called upon the CAB to cancel its ruling and to permit the irregular carriers to "operate in a manner which would not jeopardize their economic strength." On the other hand, the regular airlines have been insisting on strong action against the irregulars, whom they accuse of "skimming the cream" of the market by concentrating their activities on a number of high-density route segments. The final decision is yet to be made, but it appears fairly probable that the irregulars will get a new lease on life and expand their operations.

## Air Cargo and Mail Operations

Rapid as has been the increase of airline passenger travel it has been overshadowed by the growth of air cargo. In 1945 the total volume of air cargo was 22,000,000 ton miles, of which 81 percent was air express, the air counterpart of railway express. As in the case of the

coach passenger traffic, a number of independent, nonscheduled operators with wartime experience and war surplus planes began offering a relatively cheap freight service. The regular airlines soon became interested. In 1950 domestic scheduled air cargo volume amounted to 222,000,000 ton miles, over ten times the traffic at the end of the war. About two-thirds of this volume was carried by the regular passenger lines and over 75 percent of the volume was air freight.

Despite the rapid growth in air cargo this field has not received nearly the attention that passenger traffic has. In the smaller cities and towns, the air cargo market is for all practical purposes still untapped. A reversal of this trend may be foreshadowed by two recent developments. Slick Airways has recently ordered six Douglas DC-6A Liftmasters, cargo versions of the DC-6, the first postwar aircraft to be purchased by any of the cargo carriers; and American Airlines has decided to inaugurate an aggressive sales campaign in an effort to become the leading air cargo carrier.

Airmail, too, has been growing at a rapid rate. Following the drop in airmail with the cessation of World War II, there has been a steady rise in volume year by year, and the peak volume achieved during 1945 will undoubtedly be equaled and surpassed in the near future. One of the outstanding developments in the airmail field has been the use of the helicopter. Two helicopter services are in operation, centering at Los Angeles and Chicago, which utilize eleven helicopters and serve 71 points. During 1950 they carried 3,500 tons of airmail, or 5 percent of the national total.

Airmail payments have been one of the most controversial issues in the whole aviation field. In the past the Board has lumped airmail payments and subsidy grants together. This practice has been criticized primarily on the ground that the subsidy part was "hidden." After extensive hearings, Senator Edwin C. Johnson introduced a bill to separate subsidies from mail pay. On July 10 the CAB announced that it would follow the general policy of this bill prior to its enactment into law. Under the new policy, the government will pay airlines fixed rates for services rendered in handling airmail and will treat subsidies separately as grants to be paid according to need.

## New Developments and Problems

Of outstanding significance to the future of aviation have been the rapid strides in development of the jet and turbo-prop propelled aircraft and the helicopter. The former, it is anticipated, will have important repercussions on the long-haul travel market; the latter will enable air transportation to compete with surface carriers for the short-range travel market. The airplane of today is generally not competitive with surface transportation for distances less than 100 miles, the mileage bracket which accounts for the largest volume of passengers. The helicopter, by using landing areas close to or in the center of a city, is expected to compete effectively with other public carriers for the short-range travel market.

Another factor in the growth of airline transportation has been the increasing cooperation among airlines. The most recent development is the system of equipment interchange between airlines, which is strengthening the carrier route networks and enables them to give better and faster service. In all probability, such arrangements are but the faint beginnings of things to come. Both the CAB and leading elements in the industry are apparently of the opinion that a series of mergers is desirable to aid the industry in cutting costs and improving operations.

Although non-airline aviation has not attracted as much attention as airline transportation, this area too has witnessed notable developments. One of these has been the growing importance of smaller aircraft in industry and agriculture. According to the latest information, 57 percent of all non-air-carrier aircraft are owned by various industries and trades, including farmers, ranchers, and others engaged in agriculture, and a substantial portion of the remainder are also used for business purposes. Industrial and business flying hours have practically doubled since 1946, keeping pace with the growth in air-carrier revenue miles flown. The so-called "decline" in private flying activity has been only in instructional flying, which experienced a mushroom growth immediately after the war because of the veterans' training program.

The increased use of smaller aircraft in industry and agriculture has taken place despite the fact that the airplanes available were of the general passenger type. Recognition of the need for aircraft adapted to particular uses has already resulted in the development by the CAA of an airplane designed exclusively for agricultural flying.

These developments point up the need for continuous appraisal of available airport and airways facilities and of government programs for meeting the requirements of civil aviation. During the past five years, great strides have been made in improving facilities and in implementing the common system of air traffic control and navigational aids. Unfortunately, the Federal funds available for such purposes are insufficient to meet requirements at the present time. The CAA airport-aid program, for example, is limited to those projects of the highest priority which clearly contribute to the defense effort.

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## Peace Is Not Inevitable

(Continued from page 2)

we have to act like bullies. There can be no relaxation of our determination to fight if need be. But with that determination must go an equal determination to act at all times as reasonable men, who decide what is needed in calm appraisal of facts, and not in the blind passion of hate, nor in the pride and arrogance of the power they control.

To achieve peace, we have to recognize that the conditions for peace grow out of cooperative relations, not out of armed camps bristling with the means of destruction. A situation dominated by move and countermove, pressure and counterpressure, propaganda and indoctrination can never lead to peace. So long as each strives for advantage at the other's expense, we must continue to be faced starkly with a situation in which power dominates.

No change in these conditions is likely to occur except through a slow process of working things out in a spirit of give and take.

Concessions can be made on both sides, in recognition of the futility of war for victor as well as vanquished. As it is now in Korea, so must it be in World War III.

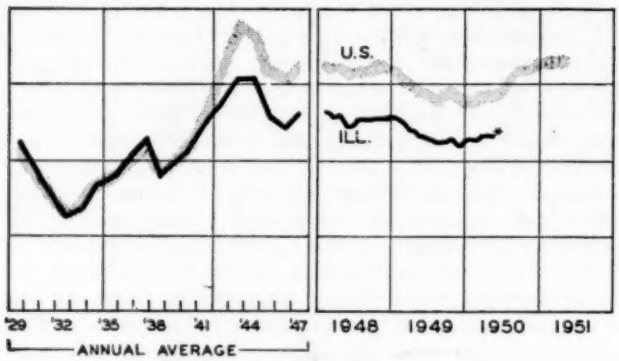
Still, progress will depend upon whether future agreements and policies are designed to provide advantages for all. The understanding, tolerance, and trust that are essential to cooperative relations can be realized only when such responses are rewarded. The possibilities of a real solution lie in the positives of mutual gain, not in the negatives of comparative damage.

Can the trend of world affairs take such a turn? Peace talks in Korea may afford some hope. They are not themselves the answer. **VLB**

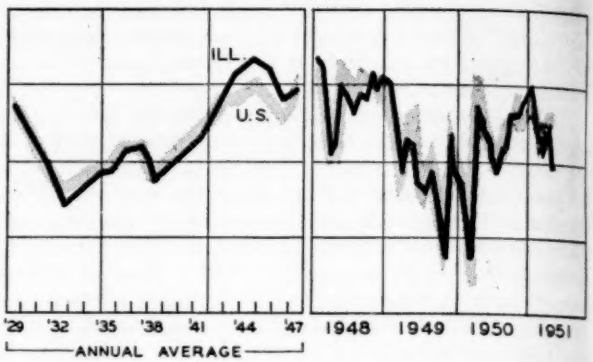
# INDEXES OF BUSINESS ACTIVITY

**1935-1939 = 100**

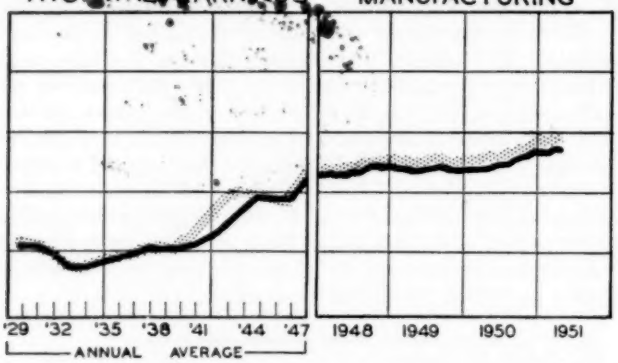
EMPLOYMENT–MANUFACTURING



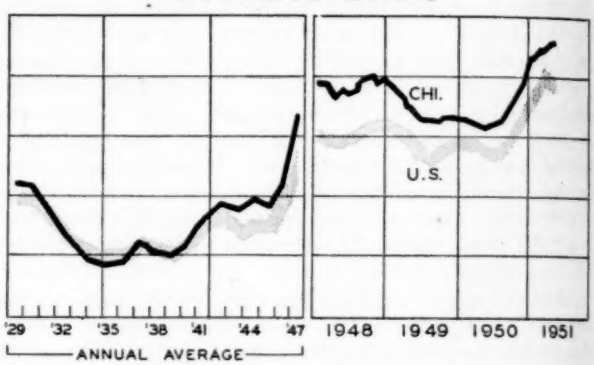

COAL PRODUCTION



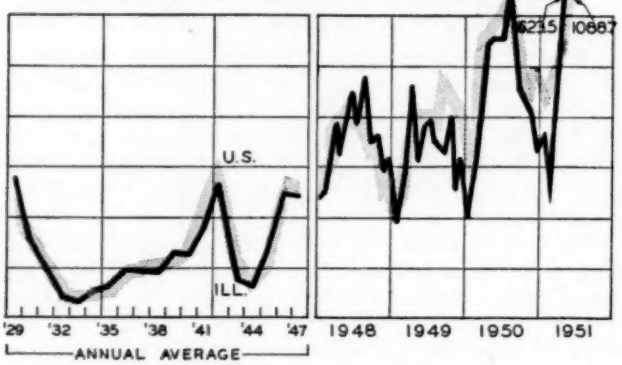

AVG. WKLY. EARNINGS – MANUFACTURING



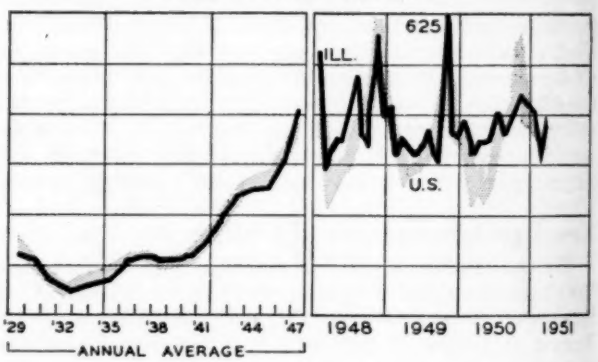

BUSINESS LOANS



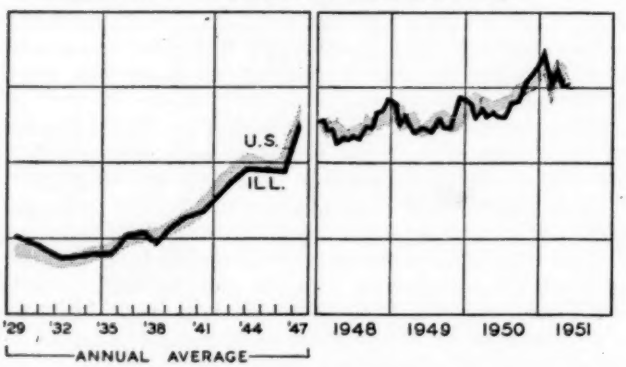

CONSTRUCTION CONTRACTS AWARDED



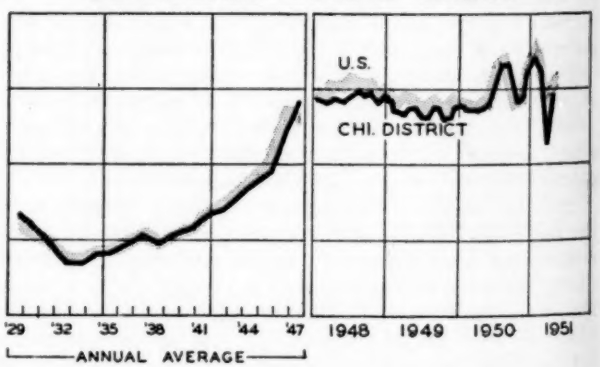

CASH FARM INCOME




ELECTRIC POWER PRODUCTION




DEPARTMENT STORE SALES




* Illinois figures being revised.